



SHIRE OF
MERREDIN
INNOVATING THE WHEATBELT

Annual Budget 2019/20



SHIRE OF MERREDIN
BUDGET
FOR THE YEAR ENDED 30 JUNE 2020

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SHIRE'S VISION

Merredin is a sustainable regional centre with a bright future.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2020**

BY NATURE OR TYPE

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
		\$	\$	\$
Revenue				
Rates	1(a)	4,306,120	4,195,259	4,154,607
Operating grants, subsidies and contributions	9	1,738,448	2,825,432	1,580,407
Fees and charges	8	1,323,603	1,359,182	1,397,107
Interest earnings	10(a)	229,953	439,600	482,410
Other revenue	10(b)	210,700	378,287	222,250
		7,808,824	9,197,760	7,836,781
Expenses				
Employee costs		(3,286,216)	(3,187,982)	(3,193,950)
Materials and contracts		(3,397,440)	(3,110,974)	(3,196,550)
Utility charges		(412,739)	(414,536)	(429,829)
Depreciation on non-current assets	5	(3,430,543)	(3,426,679)	(4,063,757)
Interest expenses	10(d)	(42,943)	(59,943)	(55,296)
Insurance expenses		(185,497)	(176,212)	(155,535)
Other expenditure		(215,011)	(342,181)	(221,408)
		(10,970,389)	(10,718,507)	(11,316,325)
Subtotal		(3,161,565)	(1,520,747)	(3,479,544)
Non-operating grants, subsidies and contributions	9	915,715	3,179,026	840,463
Profit on asset disposals	4(b)	51,554	20,109	85,184
Loss on asset disposals	4(b)	(18,335)	(193,927)	(18,340)
		948,934	3,005,208	907,307
Net result		(2,212,631)	1,484,461	(2,572,237)
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		(2,212,631)	1,484,461	(2,572,237)

This statement is to be read in conjunction with the accompanying notes.

FOR THE YEAR ENDED 30TH JUNE 2020

BASIS OF PREPARATION

The budget has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations. The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this budget. This is not in accordance with the requirements of AASB 1051 *Land Under Roads* paragraph 15 and AASB 116 *Property, Plant and Equipment* paragraph 7.

Accounting policies which have been adopted in the preparation of this budget have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the budget has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the Shire of Merredin controls resources to carry on its functions have been included in the financial statements forming part of this budget.

In the process of reporting on the local government as a single unit, all transactions and balances between those Funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 12 to the budget.

2018/19 ACTUAL BALANCES

Balances shown in this budget as 2018/19 Actual are estimates as forecast at the time of budget preparation and are subject to final adjustments.

CHANGE IN ACCOUNTING POLICIES

On the 1 July 2019 the following new accounting policies are to be adopted and have impacted on the preparation of the budget:

- AASB 15 - Revenue from Contracts with Customers;
- AASB 16 - Leases; and
- AASB 1058 - Income of Not-for-Profit Entities.

Explanation of the changes arising from these standards is provided at Note 14.

KEY TERMS AND DEFINITIONS - NATURE OR TYPE**REVENUES****RATES**

All rates levied under the *Local Government Act 1995*. Includes general, differential, specified area rates, minimum rates, interim rates, back rates, ex-gratia rates, less discounts offered. Exclude administration fees, interest on instalments, interest on arrears, service charges and sewerage rates.

SERVICE CHARGES

Service charges imposed under Division 6 of Part 6 of the *Local Government Act 1995*. Regulation 54 of the *Local Government (Financial Management) Regulations 1996* identifies these as television and radio broadcasting, underground electricity and neighbourhood surveillance services.

Excludes rubbish removal charges. Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors.

PROFIT ON ASSET DISPOSAL

Profit on the disposal of assets including gains on the disposal of long term investments. Losses are disclosed under the expenditure classifications.

REVENUES (CONTINUED)**OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS**

Refer to all amounts received as grants, subsidies and contributions that are not non-operating grants.

NON-OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS

Amounts received specifically for the acquisition, construction of new or the upgrading of non-current assets paid to a local government, irrespective of whether these amounts are received as capital grants, subsidies, contributions or donations.

FEES AND CHARGES

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees. Local governments may wish to disclose more detail such as rubbish collection fees, rental of property, fines and penalties, other fees and charges.

INTEREST EARNINGS

Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors.

OTHER REVENUE / INCOME

Other revenue, which can not be classified under the above headings, includes dividends, discounts, and rebates. Reimbursements and recoveries should be separated by note to ensure the correct calculation of ratios.

EXPENSES**EMPLOYEE COSTS**

All costs associated with the employment of person such as salaries, wages, allowances, benefits such as vehicle and housing, superannuation, employment expenses, removal expenses, relocation expenses, worker's compensation insurance, training costs, conferences safety expenses, medical examinations, fringe benefit tax, etc.

MATERIALS AND CONTRACTS

All expenditures on materials, supplies and contracts not classified under other headings. These include supply of goods and materials, legal expenses, consultancy, maintenance agreements, communication expenses, advertising expenses, membership, periodicals, publications, hire expenses, rental, leases, postage and freight etc. Local governments may wish to disclose more detail such as contract services, consultancy, information technology, rental or lease expenditures.

UTILITIES (GAS, ELECTRICITY, WATER, ETC.)

Expenditures made to the respective agencies for the provision of power, gas or water. Exclude expenditures incurred for the reinstatement of roadwork on behalf of these agencies.

INSURANCE

All insurance other than worker's compensation and health benefit insurance included as a cost of employment.

LOSS ON ASSET DISPOSAL

Loss on the disposal of fixed assets includes loss on disposal of long term investments.

DEPRECIATION ON NON-CURRENT ASSETS

Depreciation expense raised on all classes of assets.

INTEREST EXPENSES

Interest and other costs of finance paid, including costs of finance for loan debentures, overdraft accommodation and refinancing expenses.

OTHER EXPENDITURE

Statutory fees, taxes, provision for bad debts, member's fees or State taxes. Donations and subsidies made to community groups.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2020**
BY REPORTING PROGRAM

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
Revenue	1, 8, 9, 10(a),(b)	\$	\$	\$
Governance		17,500	25,143	17,800
General purpose funding		5,684,159	7,002,655	5,742,649
Law, order, public safety		328,906	255,941	215,479
Health		25,508	24,666	40,558
Education and welfare		17,285	18,727	18,728
Housing		118,850	145,411	157,886
Community amenities		571,607	768,281	560,845
Recreation and culture		422,522	387,267	572,374
Transport		289,000	281,624	213,000
Economic services		232,837	175,511	181,862
Other property and services		100,650	112,535	115,600
		7,808,824	9,197,761	7,836,781
Expenses excluding finance costs	5,10(c)(e)(f)(f)			
Governance		(685,588)	(529,385)	(659,342)
General purpose funding		(47,486)	(104,258)	(134,110)
Law, order, public safety		(752,918)	(698,576)	(684,364)
Health		(234,236)	(226,891)	(231,180)
Education and welfare		(146,820)	(98,846)	(99,182)
Housing		(235,267)	(261,771)	(257,810)
Community amenities		(1,179,850)	(1,239,039)	(1,060,350)
Recreation and culture		(2,961,957)	(2,738,868)	(2,944,809)
Transport		(3,523,642)	(3,775,113)	(4,119,813)
Economic services		(1,070,734)	(871,775)	(964,037)
Other property and services		(88,948)	(114,043)	(106,031)
		(10,927,446)	(10,658,565)	(11,261,028)
Finance costs	6, 10(d)			
Education and welfare		(31,241)	(37,524)	(34,391)
Other property and services		(11,702)	(22,419)	(20,905)
		(42,943)	(59,943)	(55,296)
Subtotal		(3,161,565)	(1,520,747)	(3,479,543)
Non-operating grants, subsidies and contributions	9	915,715	3,179,026	840,463
Profit on disposal of assets	4(b)	51,554	20,109	85,184
(Loss) on disposal of assets	4(b)	(18,335)	(193,927)	(18,340)
		948,934	3,005,208	907,307
Net result		(2,212,631)	1,484,461	(2,572,236)
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		(2,212,631)	1,484,461	(2,572,236)

This statement is to be read in conjunction with the accompanying notes.

FOR THE YEAR ENDED 30TH JUNE 2020

KEY TERMS AND DEFINITIONS - REPORTING PROGRAMS

In order to discharge its responsibilities to the community, Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision, and for each of its broad activities/programs.

OBJECTIVE

GOVERNANCE

To provide a decision making process for the efficient allocation of resources

ACTIVITIES

To include the activities of members of council and the administration support available to the council for the provision of governance of the district. Other costs relate to assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

To collect revenue to allow for the provision of services

Rates, general purpose government grants and interest revenue

LAW, ORDER, PUBLIC SAFETY

To provide services to help ensure a safer and environmentally conscious community.

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services

HEALTH

To provide an operational framework for environmental and community health.

Inspection of food outlets and their control, provisions

EDUCATION AND WELFARE

To provide services to disadvantaged persons, the elderly, children and youth

Maintenance of child minding centre, playgroup centre, senior citizens centre and aged care centre. Provision and maintenance of home and community care programs and youth services.

HOUSING

To provide and maintain elderly residents housing.

Provision and maintenance of elderly residents housing

COMMUNITY AMENITIES

To provide services required by the community

Rubbish collection services, operation of refuse disposal sites, construction and maintenance urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public convenience.

RECREATION AND CULTURE

To establish and effectively manage infrastructure and resource which will help the social well being of the community.

Maintenance of public halls, civic centres, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

TRANSPORT

To provide safe, effective and efficient transport services to the community.

Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

ECONOMIC SERVICES

To help promote the shire and its economic well being

Tourist and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building Control.

OTHER PROPERTY AND SERVICES

To monitor and control council's overheads operating accounts

Private works operations, plant repairs and operating cost and engineering operation costs.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2020**

BY NATURE OR TYPE

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		4,301,620	4,155,792	4,204,607
Operating grants, subsidies and contributions		1,738,448	3,136,660	1,705,407
Fees and charges		1,323,603	1,359,182	1,397,107
Interest earnings		229,953	439,600	482,410
Goods and services tax		389,970	(389,970)	172,285
Other revenue		210,700	378,287	222,250
		8,194,294	9,079,551	8,184,066
Payments				
Employee costs		(3,286,216)	(3,080,051)	(3,193,950)
Materials and contracts		(3,397,440)	(1,548,375)	(4,396,550)
Utility charges		(412,739)	(414,536)	(429,829)
Interest expenses		(42,943)	(61,646)	(55,295)
Insurance expenses		(185,497)	(176,212)	(155,535)
Other expenditure		(215,011)	(342,181)	(221,408)
		(7,539,846)	(5,623,001)	(8,452,567)
Net cash provided by (used in) operating activities	3	654,448	3,456,550	(268,501)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	4(a)	(4,165,849)	(15,039,463)	(17,346,123)
Payments for construction of infrastructure	4(a)	(2,862,714)	(2,483,049)	(2,758,358)
Non-operating grants, subsidies and contributions used for the development of assets	9	915,715	3,179,026	840,463
Proceeds from sale of land held for resale	4(b)	0	88,898	0
Proceeds from sale of plant & equipment	4(b)	324,000	185,477	245,501
Net cash provided by (used in) investing activities		(5,788,848)	(14,069,111)	(19,018,517)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	6(a)	(243,388)	(231,068)	(229,695)
Proceeds from self supporting loans	6(a)	30,303	28,859	27,485
Proceeds from new borrowings	6(b)	0	0	600,000
Net cash provided by (used in) financing activities		(213,085)	(202,209)	397,790
Net increase (decrease) in cash held		(5,347,485)	(10,814,770)	(18,889,228)
Cash at beginning of year		13,172,609	23,942,051	23,942,421
Cash and cash equivalents at the end of the year	3	7,825,124	13,127,281	5,053,193

This statement is to be read in conjunction with the accompanying notes.

**RATES SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2020**

BY REPORTING PROGRAM

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	2 (b)(i)	2,726,201	2,984,481	2,992,743
		2,726,201	2,984,481	2,992,743
Revenue from operating activities (excluding rates)				
Governance		24,908	34,595	44,211
General purpose funding		1,378,039	2,807,396	1,588,042
Law, order, public safety		328,906	255,941	215,479
Health		32,916	24,666	45,592
Education and welfare		17,285	18,727	18,728
Housing		118,850	145,411	157,886
Community amenities		571,607	768,281	560,845
Recreation and culture		422,522	387,267	588,998
Transport		325,738	292,281	250,116
Economic services		232,837	175,511	181,862
Other property and services		100,650	112,535	115,600
		3,554,258	5,022,611	3,767,359
Expenditure from operating activities				
Governance		(685,588)	(529,385)	(659,342)
General purpose funding		(47,486)	(104,258)	(134,110)
Law, order, public safety		(755,024)	(698,576)	(684,364)
Health		(234,236)	(232,436)	(231,180)
Education and welfare		(178,061)	(136,370)	(133,573)
Housing		(235,267)	(261,771)	(257,810)
Community amenities		(1,179,850)	(1,239,039)	(1,060,350)
Recreation and culture		(2,961,957)	(2,740,012)	(2,944,809)
Transport		(3,539,871)	(3,785,116)	(4,138,153)
Economic services		(1,070,734)	(871,775)	(964,037)
Other property and services		(100,650)	(313,698)	(126,936)
		(10,988,724)	(10,912,436)	(11,334,664)
Non-cash amounts excluded from operating activities	2 (b)(ii)	3,397,324	4,135,672	3,996,913
Amount attributable to operating activities		(1,310,941)	1,230,328	(577,649)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	9	915,715	3,179,026	840,463
Purchase land held for resale	4(a)	0	149,926	0
Purchase property, plant and equipment	4(a)	(4,165,849)	(15,039,463)	(17,346,123)
Purchase and construction of infrastructure	4(a)	(2,862,714)	(2,483,049)	(2,758,358)
Proceeds from disposal of assets	4(b)	324,000	185,477	245,501
Amount attributable to investing activities		(5,788,848)	(14,008,083)	(19,018,517)
FINANCING ACTIVITIES				
Repayment of borrowings	6(a)	(243,388)	(231,068)	(229,695)
Proceeds from new borrowings	6(b)	0	0	600,000
Proceeds from self supporting loans	6(a)	30,303	28,859	27,485
Transfers to cash backed reserves (restricted assets)	7(a)	(637,127)	(3,400,831)	(1,376,812)
Transfers from cash backed reserves (restricted assets)	7(a)	3,643,883	14,911,736	16,420,582
Amount attributable to financing activities		2,793,671	11,308,696	15,441,560
Budgeted deficiency before general rates		(4,306,118)	(1,469,059)	(4,154,606)
Estimated amount to be raised from general rates	1	4,306,118	4,195,260	4,154,606
Net current assets at end of financial year - surplus/(deficit)	2 (b)(i)	0	2,726,201	0

This statement is to be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

1. RATES AND SERVICE CHARGES

(a) Rating Information

RATE TYPE	Rate in	Number of properties	Rateable value	2019/20 Budgeted rate revenue	2019/20 Budgeted interim rates	2019/20 Budgeted back rates	2019/20 Budgeted total revenue	2018/19 Actual total revenue	2018/19 Budget total revenue
	\$		\$	\$	\$	\$	\$	\$	\$
Differential general rate or general rate									
Gross rental valuations									
Gross rental valuations	0.10615	1,235	18,113,195	1,922,752			1,922,752	1,865,802	1,850,421
Unimproved valuations									
UV 1 Rural	0.01930	318	85,841,000	1,656,731			1,656,731	1,605,713	1,604,843
UV 2 Urban Rural	0.03110	43	3,748,000	116,563			116,563	113,564	113,564
UV 3 Mining	0.03680	3	46,370	1,706			1,706	1,894	998
UV 4 Power Generation	0.03680	14	4,280,000	157,504			157,504	152,350	147,887
UV 5 Airstrips	0.03680	1	162,000	5,962			5,962	5,855	5,855
Sub-Totals		1,614	112,190,565	3,861,218	0	0	3,861,218	3,745,178	3,723,568
Minimum									
\$									
Minimum payment									
Gross rental valuations									
Gross rental valuations	890	243		216,270			216,270	219,710	216,250
Unimproved valuations									
UV 1 Rural	1,110	129		143,190			143,190	136,017	136,017
UV 2 Urban Rural	1,110	39		43,290			43,290	41,769	41,769
UV 3 Mining	200	9		1,800			1,800	1,000	1,000
UV 4 Power Generation	1,110	2		2,220			2,220	0	0
UV 5 Airstrips	1,110	0		0			0	0	0
Sub-Totals		422	0	406,770	0	0	406,770	398,496	395,036
		2,036	112,190,565	4,267,988	0	0	4,267,988	4,143,674	4,118,604
Discounts/concessions (Refer note 1(f))							(15,000)	0	(15,000)
Total amount raised from general rates							4,252,988	4,143,674	4,103,604
Ex Gratia Rates							53,130	51,586	51,002
Total rates							4,306,118	4,195,260	4,154,606

All land (other than exempt land) in the Shire of Merredin is rated according to its Gross Rental Value (GRV) in townsites or Unimproved Value (UV) in the remainder of the Shire of Merredin.

The general rates detailed for the 2019/20 financial year have been determined by Council on the basis of raising the revenue required to meet the deficiency between the total estimated expenditure proposed in the budget and the estimated revenue to be received from all sources other than rates and also considering the extent of any increase in rating over the level adopted in the previous year.

The minimum rates have been determined by Council on the basis that all ratepayers must make a reasonable contribution to the cost of local government services/facilities.

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

1. RATES AND SERVICE CHARGES (CONTINUED)

(b) Interest Charges and Instalments - Rates and Service Charges

The following instalment options are available to ratepayers for the payment of rates and service charges

Instalment options	Date due	Instalment plan admin charge	Instalment plan interest rate	Unpaid rates interest rates
		\$	%	%
Option one				
Single Full Payment	30 August 2019			11.0%
Option three				
First Instalment	30 August 2019	13	5.5%	11.0%
Second Instalment	1 November 2019	13	5.5%	11.0%
Third Instalment	3 January 2020	13	5.5%	11.0%
Fourth Instalment	6 March 2019	13	5.5%	11.0%

	2019/20 Budget revenue	2018/19 Actual revenue	2018/19 Budget revenue
	\$	\$	\$
Instalment plan admin charge revenue	22,500	22,451	18,000
Instalment plan interest earned	19,500	20,170	18,000
Unpaid rates and service charge interest earned	40,500	51,464	39,000
	82,500	94,085	75,000

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

1. RATES AND SERVICE CHARGES (CONTINUED)

(c) Objectives and Reasons for Differential Rating

To provide equity in the rating of properties across the Shire the following rate categories have been determined for the implementation of differential rating.

Differential general rate

Description	Characteristics	Objects	Reasons
UV1 Rural	Properties used predominantly for Rural Broadacre Farming	This rate contributes to the services desired by the community	This considered to be the base rate which all other UV Rated properties are assessed
UV2 Urban Rural	This rating category covers properties with Urban Rural Uses listed under LPS6 Zoning Tables	This rate contributes to the services desired by the community	Higher Costs associated with Rural Residential Namely costs associated with maintenance of Council Infrastructure
UV3 Mining	This rating category covers properties with Mining Tenements uses listed under LPS6 Zoning Tables	This rate contributes to the services desired by the community	Higher Costs associated with Mining Namely costs associated with maintenance of Council Infrastructure
UV4 Special Use Power Generation	This rating category covers properties with Power Generation uses listed under LPS6 Zoning Tables	This rate contributes to the services desired by the community	Higher Costs associated with Power Generation Namely costs associated with maintenance of Council Infrastructure
UV5 Special Use Airstrips	This rating category covers properties with Airstrips uses listed under LPS6 Zoning Tables	This rate contributes to the services desired by the community	Higher Costs associated with Airstrips Namely costs associated with maintenance of Council Infrastructure

(d) Differential Minimum Payment

Description	Characteristics	Objects	Reasons
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UV1 Rural	Properties used predominantly for Rural Broadacre Farming	0	This rate contributes to the services desired by the community	0	This considered to be the base rate which all other UV Rated properties are assessed
UV2 Urban Rural	This rating category covers properties with Urban Rural Uses listed under LPS6 Zoning Tables	0	This rate contributes to the services desired by the community	0	Higher Costs associated with Rural Residential Namely costs associated with maintenance of Council Infrastructure
UV3 Mining	This rating category covers properties with Mining Tenements uses listed under LPS6 Zoning Tables	0	This rate contributes to the services desired by the community	0	Higher Costs associated with Mining Namely costs associated with maintenance of Council Infrastructure
UV4 Special Use Power Generation	This rating category covers properties with Power Generation uses listed under LPS6 Zoning Tables	0	This rate contributes to the services desired by the community	0	Higher Costs associated with Power Generation Namely costs associated with maintenance of Council Infrastructure
UV5 Special Use Airstrips	This rating category covers properties with Airstrips uses listed under LPS6 Zoning Tables	0	This rate contributes to the services desired by the community	0	Higher Costs associated with Airstrips Namely costs associated with maintenance of Council Infrastructure

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

1. RATES AND SERVICE CHARGES (CONTINUED)

The Shire did not raise specified area rates for the year ended 30th June 2020.

(e) Service Charges

The Shire did not raise service charges for the year ended 30th June 2020.

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

1. RATES AND SERVICE CHARGES (CONTINUED)

(f) Rates discounts

Rate or fee to which discount is granted	Discount %	Discount (\$)	2019/20 Budget	2018/19 Actual	2018/19 Budget	Circumstances in which discount is granted
Write Off			\$ 15,000	\$	\$ 15,000	
			15,000	0	15,000	

(g) Waivers or concessions

The Shire does not anticipate any waivers or concessions for the year ended 30th June 2020.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

2 (a). NET CURRENT ASSETS

		2019/20 Budget 30 June 2020	2019/20 Budget 01 July 2019	2018/19 Estimated Actual 30 June 2019	2018/19 Budget 30 June 2019
	Note	\$	\$	\$	\$
Composition of estimated net current assets					
Current assets					
Cash - unrestricted	3	2,429,047	4,769,776	4,769,776	173,579
Cash - restricted reserves	3	5,396,078	8,402,834	8,402,834	4,879,613
Receivables		532,398	916,353	916,353	546,824
Inventories		625,460	625,460	625,460	150,854
		8,982,983	14,714,423	14,714,423	5,750,870
Less: current liabilities					
Trade and other payables		(3,109,062)	(3,109,062)	(2,998,949)	(334,027)
Contract liabilities		0	0	(110,113)	
Long term borrowings		(240,400)	(240,400)	(240,400)	
Provisions		(535,175)	(535,175)	(535,175)	(508,371)
		(3,884,637)	(3,884,637)	(3,884,637)	(842,398)
Net current assets		5,098,346	10,829,786	10,829,786	4,908,472

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

2 (b). NET CURRENT ASSETS (CONTINUED)

EXPLANATION OF DIFFERENCE IN NET CURRENT ASSETS AND SURPLUS/(DEFICIT)

Operating activities excluded from budgeted deficiency

When calculating the budget deficiency for the purpose of Section 6.2 (2)(c) of the *Local Government Act 1995* the following amounts have been excluded as provided by *Local Government (Financial Management) Regulation 32* which will not fund the budgeted expenditure.

	Note	2019/20 Budget 30 June 2020	2019/20 Budget 01 July 2019	2018/19 Estimated Actual 30 June 2019	2018/19 Budget 30 June 2019
		\$	\$	\$	\$
(i) Current assets and liabilities excluded from budgeted deficiency					
Net current assets	2	5,098,346	10,829,786	10,829,786	4,908,472
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement.					
Adjustments to net current assets					
Less: Cash - restricted reserves	3	(5,396,078)	(8,402,834)	(8,402,834)	(4,879,613)
Less: Current assets not expected to be received at end of year					
- current portion of self supporting loans receivable		(31,818)	(30,303)	(30,303)	(28,859)
- Land held for resale		(446,023)	(446,023)	(446,023)	
Add: Current liabilities not expected to be cleared at end of year					
- Current portion of borrowings		240,400	240,400	240,400	0
- Employee benefit provisions		535,175	535,175	535,175	
Adjusted net current assets - surplus/(deficit)		2	2,726,201	2,726,201	0
(ii) Operating activities excluded from budgeted deficiency					
The following non-cash revenue or expenditure has been excluded from operating activities within the Rate Setting Statement.					
Adjustments to operating activities					
Less: Profit on asset disposals	4(b)	(51,554)	(20,109)	(20,109)	(85,184)
Less: Movement in liabilities associated with restricted cash		0	535,175	535,175	
Add: Loss on disposal of assets	4(b)	18,335	193,927	193,927	18,340
Add: Depreciation on assets	5	3,430,543	3,426,679	3,426,679	4,063,757
Non cash amounts excluded from operating activities		3,397,324	4,135,672	4,135,672	3,996,913

(iii) Reason for adjustment to Adjusted net current assets - surplus/(deficit) on 1 July 2019

The Shire has elected to retrospectively apply the cumulative effect of applying AASB 1058 Income of Not-for-Profit Entities at the date of initial application of the standard, being 1 July 2019. The impact of applying the standard was to recognise unspent grants and contributions for construction of recognisable non-financial assets controlled by the Shire as a liability. The opening budgeted surplus/deficit on 1 July 2019 has been amended accordingly from the estimated actual closing surplus/deficit. Refer to note 14 for further explanation of the impact of the changes in accounting policies

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

2 (c). NET CURRENT ASSETS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES

CURRENT AND NON-CURRENT CLASSIFICATION

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operational cycle. In the case of liabilities where the Shire does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the Shire's intentions to release for sale.

TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire of Merredin becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

CONTRACT ASSETS

A contract asset is the right to consideration in exchange for goods or services the entity has transferred to a customer when that right is conditioned on something other than the passage of time.

PROVISIONS

Provisions are recognised when the Shire has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

INVENTORIES

General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Superannuation

The Shire of Merredin contributes to a number of superannuation funds on behalf of employees.

All funds to which the Shire of Merredin contributes are defined contribution plans.

TRADE AND OTHER RECEIVABLES

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

CONTRACT LIABILITIES

An entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. Grants to acquire or construct recognisable non-financial assets to be controlled by the Shire are recognised as a liability until such time as the Shire satisfies its obligations under the agreement.

EMPLOYEE BENEFITS

Short-term employee benefits

Provision is made for the Shire of Merredin's obligations for short-term employee benefits. Short term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Shire of Merredin's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Shire of Merredin's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

LAND HELD FOR RESALE

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for sale is classified as current except where it is held as non-current based on Council's intentions to release for sale.

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

3. RECONCILIATION OF CASH

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Estimated cash at the end of the reporting period is as follows:

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
Cash - unrestricted	2,429,047	4,769,776	173,579
Cash - restricted	5,396,077	8,402,833	4,879,613
	7,825,124	13,172,609	5,053,192
The following restrictions have been imposed by regulation or other externally imposed requirements:			
Employee Entitlement Reserve	554,908	544,027	542,856
Declared Disaster Reserve	249,099	244,215	240,257
Cummings Street Units Reserve	61,575	60,504	53,535
Recreation Development Reserve	612,860	502,804	502,727
Waste Management Reserve	289,999	197,266	207,172
Plant Replacement	906,830	798,265	770,944
Buildings Reserve	818,800	922,942	797,935
Land & Development Reserve	1,298,346	1,272,888	1,187,461
Unspent Grants Reserve	189,565	3,451,496	441,418
ITC Reserve	189,095	258,426	135,308
Apex Park Redevelopment Reserve	225,000	150,000	0
	5,396,077	8,402,833	4,879,613
Reconciliation of net cash provided by operating activities to net result			
Net result	(2,212,631)	1,484,460	(2,572,235)
Depreciation	3,430,543	3,426,679	4,063,757
(Profit)/loss on sale of asset	(33,219)	173,818	(66,844)
(Increase)/decrease in receivables	385,470	(118,209)	347,285
(Increase)/decrease in contract assets	0	0	
(Increase)/decrease in inventories	0	(36,456)	
Increase/(decrease) in payables	0	1,662,781	(1,200,000)
Increase/(decrease) in contract liabilities	0	0	
Increase/(decrease) in employee provisions	0	42,502	
Change in accounting policies transferred to retained surplus (refer to Note 14)	0	0	0
Grants/contributions for the development of assets	(915,715)	(3,179,026)	(840,463)
Net cash from operating activities	654,448	3,456,549	(268,500)

SIGNIFICANT ACCOUNTING POLICES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Bank overdrafts are shown as short term borrowings in current liabilities in Note 2 - Net Current Assets.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

4. FIXED ASSETS

(a) Acquisition of Assets

The following assets are budgeted to be acquired during the year.

Asset class	Reporting program							2019/20 Budget total	2018/19 Actual total	2018/19 Budget total
	Governance	Law, order, public safety	Health	Housing	Recreation and culture	Transport	Other property and services			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<i>Property, Plant and Equipment</i>										
Buildings - specialised				57,000	278,250		3,205,099	3,540,349	14,605,394	16,701,923
Furniture and equipment	70,500							70,500	39,664	44,200
Plant and equipment	40,000	145,000	40,000		10,000	320,000		555,000	394,405	600,000
	110,500	145,000	40,000	57,000	288,250	320,000	3,205,099	4,165,849	15,039,463	17,346,123
<i>Infrastructure</i>										
Infrastructure - Roads								2,562,202	2,296,228	2,558,358
Infrastructure - Footpaths								300,512	186,821	200,000
Infrastructure - Drainage								0		0
Infrastructure - Parks & Ovals								0		0
	0	0	0	0	0	2,862,714	0	2,862,714	2,483,049	2,758,358
Total acquisitions	110,500	145,000	40,000	57,000	288,250	3,182,714	3,205,099	7,028,563	17,522,512	20,104,481

A detailed breakdown of acquisitions on an individual asset basis can be found in the supplementary information attached to this budget document as follows:

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

4. FIXED ASSETS (CONTINUED)

(b) Disposals of Assets

The following assets are budgeted to be disposed of during the year.

	2019/20 Budget Net Book Value	2019/20 Budget Sale Proceeds	2019/20 Budget Profit	2019/20 Budget Loss	2018/19 Actual Net Book Value	2018/19 Actual Sale Proceeds	2018/19 Actual Profit	2018/19 Actual Loss	2018/19 Budget Net Book Value	2018/19 Budget Sale Proceeds	2018/19 Budget Profit	2018/19 Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
By Program												
Governance	27,592	35,000	7,408	0	30,086	39,538	9,452	0	20,089	46,500	26,411	0
Law, order, public safety	20,106	18,000	0	(2,106)		0	0	0		0	0	0
Health	27,592	35,000	7,408	0	18,272	12,727	0	(5,545)	12,966	18,000	5,034	0
Recreation and culture		0	0	0	42,495	41,351	0	(1,144)	23,377	40,001	16,624	0
Transport	215,491	236,000	36,738	(16,229)	91,207	91,861	10,657	(10,003)	122,224	141,000	37,116	(18,340)
Other property and services		0	0	0	177,236	0	0	(177,236)		0	0	0
	290,781	324,000	51,554	(18,335)	359,296	185,477	20,109	(193,928)	178,656	245,501	85,185	(18,340)
By Class												
<u>Property, Plant and Equipment</u>												
Buildings - specialised		0			12,146	0		(12,146)		0		
Furniture and equipment		0			69,782	0		(69,782)		0		
Plant and equipment	290,781	324,000	51,554	(18,335)	230,816	185,477	20,109	(65,448)	178,656	245,501	85,185	(18,340)
Land Freehold		0			2,500	0		(2,500)		0		
<u>Infrastructure</u>												
Infrastructure - Parks & Ovals		0			44,052	0		(44,052)		0		
	290,781	324,000	51,554	(18,335)	359,296	185,477	20,109	(193,928)	178,656	245,501	85,185	(18,340)

A detailed breakdown of disposals on an individual asset basis can be found in the supplementary information attached to this budget document as follows:

- Staff housing programme
- Plant replacement programme

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

5. ASSET DEPRECIATION

By Program

Governance
Law, order, public safety
Health
Education and welfare
Housing
Community amenities
Recreation and culture
Transport
Economic services
Other property and services

By Class

Buildings - non-specialised
Furniture and equipment
Plant and equipment
Infrastructure - Roads
Infrastructure - Footpaths
Infrastructure - Drainage
Infrastructure - Parks & Ovals

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
	507	505	505
	161,191	160,602	160,631
	6,865	13,906	6,840
	87,320	87,001	87,001
	58,440	59,774	58,226
	7,957	7,928	9,084
	572,356	570,169	562,785
	2,175,497	2,175,490	2,838,000
	30,642	30,530	29,719
	329,768	320,776	310,966
	3,430,543	3,426,681	4,063,757
	815,500	815,295	917,110
	23,800	23,750	48,894
	388,700	388,634	331,922
	1,638,356	1,634,815	1,859,643
	185,046	185,046	381,175
	353,335	353,335	490,937
	25,806	25,806	34,076
	3,430,543	3,426,681	4,063,757

SIGNIFICANT ACCOUNTING POLICIES

DEPRECIATION

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Major depreciation periods used for each class of depreciable asset are:

DEPRECIATION (CONTINUED)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss in the period which they arise.

RECOGNITION OF ASSETS

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019

6. INFORMATION ON BORROWINGS

(a) Borrowing repayments

Movement in borrowings and interest between the beginning and the end of the current financial year.

Purpose	Budget Principal 1 July 2019	2019/20 Budget New loans	2019/20 Budget Principal repayments	2019/20 Budget Interest repayments	Budget Principal outstanding 30 June 2020	Actual Principal 1 July 2018	2018/19 Actual New loans	2018/19 Actual Principal repayments	2018/19 Actual Interest repayments	Actual Principal outstanding 30 June 2019	Budget Principal 1 July 2018	2018/19 Budget New loans	2018/19 Budget Principal repayments	2018/19 Budget Interest repayments	Budget Principal outstanding 30 June 2019
		\$	\$	\$	\$			\$	\$	\$			\$	\$	\$
Governance															
Loan 214 Amalgamated	240,342	0	157,818	11,702	82,524	388,985	0	148,643	22,419	240,342	388,985		148,643	20,905	240,342
Education and welfare															
Loan 217 CEACA	494,516		55,267	14,330	439,249	548,082	0	53,566	17,860	494,516	548,082		53,567	16,019	494,515
Housing															
Loan xxx Housing	0				0					0		600,000			600,000
	734,858	0	213,085	26,032	521,773	937,067	0	202,209	40,279	734,858	937,067	600,000	202,210	36,924	1,334,857
Self Supporting Loans															
Education and welfare															
Loan 215 Merritville	357,366	0	30,303	16,911	327,063	386,225	0	28,859	19,664	357,366	386,225	0	27,485	18,372	358,740
	357,366	0	30,303	16,911	327,063	386,225	0	28,859	19,664	357,366	386,225	0	27,485	18,372	358,740
	1,092,224	0	243,388	42,943	848,836	1,323,292	0	231,068	59,943	1,092,224	1,323,292	600,000	229,695	55,296	1,693,597

All borrowing repayments, other than self supporting loans, will be financed by general purpose revenue.
The self supporting loan(s) repayment will be fully reimbursed.

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

6. INFORMATION ON BORROWINGS (CONTINUED)

(b) New borrowings - 2019/20

The Shire does not intend to undertake any new borrowings for the year ended 30th June 2020

(c) Unspent borrowings

The Shire had no unspent borrowing funds as at 30th June 2019 nor is it expected to have unspent borrowing funds as at 30th June 2020.

(d) Credit Facilities

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
Loan facilities			
Loan facilities in use at balance date	848,836	1,092,224	1,693,597

SIGNIFICANT ACCOUNTING POLICIES

BORROWING COSTS

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

7. CASH BACKED RESERVES

(a) Cash Backed Reserves - Movement

	2019/20 Budget Opening Balance	2019/20 Budget Transfer to	2019/20 Budget Transfer (from)	2019/20 Budget Closing Balance	2018/19 Actual Opening Balance	2018/19 Actual Transfer to	2018/19 Actual Transfer (from)	2018/19 Actual Closing Balance	2018/19 Budget Opening Balance	2018/19 Budget Transfer to	2018/19 Budget Transfer (from)	2018/19 Budget Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Employee Entitlement Reserve	544,027	10,881		554,908	530,972	13,055		544,027	530,972	11,884		542,856
Declared Disaster Reserve	244,215	4,884		249,099	8,074	236,141		244,215	8,074	232,183		240,257
Road Reinstatement Reserve	0	0		0	26,411	0	(26,411)	0	26,411	591	(27,002)	0
Cummings Street Units Reserve	60,504	1,071		61,575	52,363	8,141		60,504	52,363	1,172		53,535
Recreation Development Reserve	502,804	110,056		612,860	491,721	11,083		502,804	491,721	11,006		502,727
Waste Management Reserve	197,266	92,733		289,999	118,725	78,541		197,266	118,725	88,447		207,172
Environmental Initiatives Reserve	0	0		0	51,961	0	(51,961)	0	51,961	1,163	(53,124)	0
Heritage Reserve	0	0		0	7,591	0	(7,591)	0	7,591	170	(7,761)	0
Plant Replacement	798,265	269,565	(161,000)	906,830	780,669	17,596		798,265	780,669	420,775	(430,500)	770,944
Buildings Reserve	922,942	18,458	(122,600)	818,800	827,505	95,437		922,942	827,505	69,430	(99,000)	797,935
Land & Development Reserve	1,272,888	25,458	0	1,298,346	1,161,445	111,443		1,272,888	1,161,446	26,015		1,187,461
Unspent Grants Reserve	3,451,496	3,852	(3,265,783)	189,565	15,792,423	2,484,846	(14,825,773)	3,451,496	15,802,067	442,546	(15,803,195)	441,418
ITC Reserve	258,426	25,169	(94,500)	189,095	63,878	194,548		258,426	63,878	71,430		135,308
Apex Park Redevelopment Reserve	150,000	75,000		225,000	0	150,000		150,000		0		0
	8,402,833	637,127	(3,643,883)	5,396,077	19,913,738	3,400,831	(14,911,736)	8,402,833	19,923,383	1,376,812	(16,420,582)	4,879,613

(b) Cash Backed Reserves - Purposes

In accordance with Council resolutions in relation to each reserve account, the purpose for which the reserves are set aside are as follows:

Reserve name	Anticipated date of use	Purpose of the reserve
Employee Entitlement Reserve		To be utilised to fund staff leave as required.
Declared Disaster Reserve		To be utilised to contribute to liabilities arising from a declared natural disaster that meets WAANDRA eligibility minimum spend.
Road Reinstatement Reserve		To be utilised to full maintenance and capital costs associated with Council owned units in Cummings Street Merredin.
Cummings Street Units Reserve		To be utilised to fund future development and major renewals in relation to Recreation.
Recreation Development Reserve		To be utilised for the collection, transport, storage, treatment, processing, sorting, recycling or disposal of waste; or the provision of receptacles for the temporary deposit of waste; or the provision and management of waste facilities, machinery for the disposal of waste and processes for dealing with waste.
Waste Management Reserve		
Environmental Initiatives Reserve		
Heritage Reserve		
Plant Replacement		To be utilised to fund future capital plant purchases.
Buildings Reserve		To be utilised to fund future building construction and major maintenance within the Shire of Merredin.
Land & Development Reserve		To be utilised to fund major land development/purchases within the Shire of Merredin.
Unspent Grants Reserve		To be utilised for the quaranting of Grant Monies awaiting completion of Works.
ITC Reserve		To be utilised to fund future ITC within the Shire of Merredin.
Apex Park Redevelopment Reserve		To be utilised to fund the redevelopment works at the Apex Park

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

8. FEES & CHARGES REVENUE

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
Governance	7,500	9,699	7,500
General purpose funding	22,000	22,334	22,000
Law, order, public safety	211,501	197,434	201,612
Health	25,508	24,666	40,558
Housing	118,850	145,002	157,886
Community amenities	568,607	629,458	558,345
Recreation and culture	190,350	209,124	204,744
Transport	18,000	17,707	18,000
Economic services	155,137	103,151	166,462
Other property and services	6,150	607	20,000
	1,323,603	1,359,182	1,397,107

9. GRANT REVENUE

Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:

By Program:

Operating grants, subsidies and contributions

General purpose funding	1,130,871	2,360,149	1,074,860
Law, order, public safety	112,405	44,683	10,117
Community amenities		24,624	
Recreation and culture	232,072	173,496	417,814
Transport	191,000	191,530	115,000
Economic services	72,100	30,950	12,800
	1,738,448	2,825,432	1,630,591

Non-operating grants, subsidies and contributions

Recreation and culture	0	9,500	19,000
Transport	915,715	1,017,213	821,463
Other property and services	0	2,152,313	0
	915,715	3,179,026	840,463

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

10. OTHER INFORMATION

The net result includes as revenues

(a) Interest earnings

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
Investments			
- Reserve funds	102,668	295,617	356,682
- Other funds	50,000	53,505	50,000
Late payment of fees and charges *	17,285	18,844	18,728
Other interest revenue (refer note 1b)	60,000	71,634	57,000
	229,953	439,600	482,410

* The Shire has resolved to charge interest under section 6.13 for the late payment of any amount of money at 5%.

(b) Other revenue

Reimbursements and recoveries	210,700	378,287	222,250
	210,700	378,287	222,250

The net result includes as expenses

(c) Auditors remuneration

Audit services	32,000	10,606	70,000
	32,000	10,606	70,000

(d) Interest expenses (finance costs)

Borrowings (refer Note 6(a))	42,943	59,943	55,296
Interest expense on lease liabilities			
	42,943	59,943	55,296

(e) Elected members remuneration

Meeting fees			75,033
Mayor/President's allowance			13,900
Deputy Mayor/President's allowance			3,475
Councillors Wardrobe			1,500
	0	0	93,908

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

11. MAJOR LAND TRANSACTIONS, TRADING UNDERTAKINGS AND INTERESTS IN JOINT ARRANGEMENTS

It is not anticipated the Shire will be party to any Major Land Transactions or Trading Undertakings during 2019/20.

It is not anticipated the Shire will be party to any joint venture arrangements during 2019/20.

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

12. TRUST FUNDS

Funds held at balance date over which the local government has no control and which are not included in the financial statements are as follows:

Detail	Balance 1 July 2019	Estimated amounts received	Estimated amounts paid	Estimated balance 30 June 2020
	\$	\$	\$	\$
BCTIF Levy	241	15,000	(15,241)	0
BRB Levy	67	15,000	(15,067)	0
Community Bus Fund	1,312	0	0	1,312
SBS Transmitter	2,220	0	0	2,220
Youth Advisory Council	154	0	0	154
Retention Monies	8,974	0	(8,974)	0
CEACA	4,460	0	(4,460)	0
Nomination Deposits	0	800	(800)	0
	17,428	30,800	(44,542)	3,686

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

**13. SIGNIFICANT ACCOUNTING POLICIES - OTHER
INFORMATION**

GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

CRITICAL ACCOUNTING ESTIMATES

The preparation of a budget in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

ROUNDING OFF FIGURES

All figures shown in this statement are rounded to the nearest dollar.

COMPARATIVE FIGURES

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

BUDGET COMPARATIVE FIGURES

Unless otherwise stated, the budget comparative figures shown in the budget relate to the original budget estimate for the relevant item of disclosure.

REVENUE RECOGNITION

Accounting Policies for the recognition of income and revenue from contracts with customers is described in Note 14.

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

**14. SIGNIFICANT ACCOUNTING POLICIES - CHANGE
IN ACCOUNTING POLICIES**

This note explains the impact of the adoption of AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income for Not-for-Profit Entities.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Shire of Merredin adopted AASB 15 on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire of Merredin has adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019):

	AASB 118 carrying amount 30 June 19	Reclassification	AASB 15 carrying amount 01 July 19
	\$	\$	\$
Contract assets	0		0
Contract liabilities - current			
Unspent grants, contributions and reimbursements	0		0
Developer contributions	0		0
Contract liabilities non-current			
Developer contributions	0		0
Cash in lieu of parking	0		0
Adjustment to retained surplus from adoption of AASB 15		0	

LEASES

On adoption of AASB 16, for leases which had previously been classified as an 'operating lease' when applying AASB 117, the Shire of Merredin is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5).

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

**14. SIGNIFICANT ACCOUNTING POLICIES - CHANGE
IN ACCOUNTING POLICIES (Continued)**

INCOME FOR NOT-FOR-PROFIT ENTITIES

The Shire of Merredin has adopted AASB 1058 from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions AASB 1058, the Shire of Merredin has adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes occurred to the following financial statement line items by application of AASB as compared to AASB 1004 Contributions before the change:

	AASB 1004 carrying amount 30 June 19	Reclassification	AASB 1058 carrying amount 01 July 19
	\$	\$	\$
Trade and other payables			
Adjustment to retained surplus from adoption of AASB 1058		0	

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates were recognised as a financial asset and a related amount was recognised as a financial liability and no income was recognised by the Shire of Merredin. When the taxable event occurs the financial liability is extinguished and the Shire of Merredin recognises income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration that was significantly less than fair value principally to enable the Shire of Merredin to further its objectives may have been measured on initial recognition under other Australian Accounting

Standards at a cost that was significance less than fair value. Such assets are not required to be remeasured at fair value.

Volunteer Services in relation to Volunteer Fire Services have been recognised in budgeted revenue and budgeted expenditure as the fair value of the services can be reliably estimated and the services would have been purchased if they had not been donated.

The impact on the Shire of Merredin of the changes as at 1 July 2019 is as follows:

	2019	
	\$	
Retained surplus - 30/06/2019		
Adjustment to retained surplus from adoption of AASB 15	0	
Adjustment to retained surplus from adoption of AASB 1058	0	0
Retained surplus - 01/07/2019		0

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

15. BUDGET RATIOS

	2019/20 Budget	2018/19 Actual	2017/18 Actual	2016/17 Actual
Operating Surplus	0.7500	0.2000	(7.4300)	3.2500
Funds After Operations	22.6000	22.3000	22.7800	24.180
PPE	0.5900	1.9700	1.8800	3.580
Infrastructure	0.8100	(0.6000)	1.1600	(0.8400)
Cash Reserves	0.6910	0.9135	38.0900	28.8800
Borrowings	10.8700	11.8700	14.2600	9.0800
Debt Servicing	3.6668	3.1639	2.7600	2.1000
Average Rates (UV)	3,815	3,742	3,682	3,536
Average Rates (GRV)	1,478	1,409	1,352	1,324

The ratios are calculated as follows:

OPERATIONS

Operating Surplus $\frac{\text{Adjusted underlying surplus (or deficit)}}{\text{Adjusted underlying revenue}}$

Funds After Operations $\frac{\text{Funds remaining after operations}}{\text{General funds}}$

ASSET RATIOS

PPE $\frac{\text{Closing WDV value of PPE less Opening WDV value of PPE}}{\text{Opening WDV value of PPE}}$

Infrastructure $\frac{\text{Closing WDV Infrastructure less Opening WDV infrastructure}}{\text{Opening WDV Infrastructure}}$

FINANCING RATIOS

Cash Reserves $\frac{\text{Discretionary Reserve Balance}}{\text{General Funds}}$

Borrowings $\frac{\text{Principal outstanding}}{\text{General funds}}$

Debt Servicing $\frac{\text{Principal and interest due}}{\text{General funds}}$

RATES RATIOS

Average Rates $\frac{\text{Rate revenue per category}}{\text{Number of properties per category}}$

**RATES SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2020**

BY NATURE OR TYPE

	NOTE	2018/19 Budget	2017/18 Actual	2017/18 Budget
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)				
	2 (b)(i)	2,726,201	2,984,481	2,992,743
		2,726,201	2,984,481	2,992,743
Revenue from operating activities (excluding rates)				
Operating grants, subsidies and contributions	9	1,738,448	2,825,432	1,580,407
Fees and charges	8	1,323,603	1,359,182	1,397,107
Interest earnings	10(a)	229,953	439,600	482,410
Other revenue	10(b)	210,700	378,287	222,250
Profit on asset disposals	4(b)	51,554	20,109	85,184
		3,554,258	5,022,610	3,767,358
Expenditure from operating activities				
Employee costs		(3,286,216)	(3,187,982)	(3,193,950)
Materials and contracts		(3,397,440)	(3,110,974)	(3,196,550)
Utility charges		(412,739)	(414,536)	(429,829)
Depreciation on non-current assets	5	(3,430,543)	(3,426,679)	(4,063,757)
Interest expenses	10(d)	(42,943)	(59,943)	(55,296)
Insurance expenses		(185,497)	(176,212)	(155,535)
Other expenditure		(215,011)	(342,181)	(221,408)
Loss on asset disposals	4(b)	(18,335)	(193,927)	(18,340)
		(10,988,724)	(10,912,434)	(11,334,665)
Operating activities excluded from budgeted deficiency				
Non-cash amounts excluded from operating activities	2 (b)(ii)	3,397,324	4,135,672	3,996,913
Amount attributable to operating activities		(1,310,941)	1,230,329	(577,651)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	9	915,715	3,179,026	840,463
Purchase land held for resale	4(a)	0	149,926	0
Purchase investment property	4(a)	0	0	0
Purchase property, plant and equipment	4(a)	(4,165,849)	(15,039,463)	(17,346,123)
Purchase and construction of infrastructure	4(a)	(2,862,714)	(2,483,049)	(2,758,358)
Proceeds from disposal of assets	4(b)	324,000	185,477	245,501
Amount attributable to investing activities		(5,788,848)	(14,008,083)	(19,018,517)
FINANCING ACTIVITIES				
Repayment of borrowings	6(a)	(243,388)	(231,068)	(229,695)
Proceeds from new borrowings	6	0	0	600,000
Proceeds from self supporting loans	6(a)	30,303	28,859	27,485
Transfers to cash backed reserves (restricted assets)	7(a)	(637,127)	(3,400,831)	(1,376,812)
Transfers from cash backed reserves (restricted assets)	7(a)	3,643,883	14,911,736	16,420,582
Amount attributable to financing activities		2,793,671	11,308,696	15,441,560
Budgeted deficiency before general rates		(4,306,118)	(1,469,058)	(4,154,608)
Estimated amount to be raised from general rates	1	4,306,118	4,195,260	4,154,606
Net current assets at end of financial year - surplus/(deficit)	2 (b)(i)	0	2,726,202	(2)

This statement is to be read in conjunction with the accompanying notes.